



China Stationery Limited

(Incorporated in Bermuda under the Companies Act 1981 of Bermuda)

(Company Registration No.: 40535)

(Registered as a foreign company in Malaysia under the Companies Act 1965 of Malaysia)

(Malaysian Branch Registration No.: 995224-W)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2015**

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Unaudited Condensed Consolidated Statement Of Comprehensive Income

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Revenue	B1	165,356	63,632	103,844	36,308	381,283	602,748	239,446	343,928
Cost of sales		(80,970)	(30,097)	(50,849)	(17,173)	(193,693)	(322,937)	(121,639)	(184,268)
Gross profit		84,386	33,535	52,994	19,135	187,590	279,811	117,807	159,660
Other income		2,271	24,819	1,426	14,162	21,380	51,657	13,427	29,475
Selling and distribution expenses		(60,311)	(1,695)	(37,875)	(967)	(66,559)	(80,724)	(41,799)	(46,061)
Administrative expenses		20,268	(18,079)	12,728	(10,316)	(5,769)	(109,395)	(3,623)	(62,421)
Other expenses		(51)	-	(32)	-	(56)	(518,762)	(35)	(296,006)
Finance costs		-	(48)	-	(27)	-	(1,951)	-	(1,113)
Profit/(Loss) before taxation	B2	46,563	38,532	29,242	21,986	136,586	(379,364)	85,776	(216,465)
Income tax expense		(18,430)	(10,335)	(11,574)	(5,897)	(50,920)	76,969	(31,978)	43,919
Total comprehensive Profit after tax	B2	28,133	28,197	17,668	16,089	85,666	(302,395)	53,798	(172,547)



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Unaudited Condensed Consolidated Statement Of Comprehensive Income (continue)

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 Dec 2014
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit attributable to:-									
- Equity holders of China Stationery Limited		28,133	28,197	17,668	16,089	85,666	(302,395)	53,798	(172,547)
Total comprehensive (loss)/income attributable to:-									
- Equity holders of China Stationery Limited		28,133	28,197	17,668	16,089	85,666	(302,395)	53,798	(172,547)
Earnings per share									
- Basic (cents/sen)	B12	2.26	2.27	1.42	1.29	6.89	(24.33)	4.33	(13.88)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanation notes attached to this financial report.

Note:

- (1) The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the average exchange rate of RMB 1: RM 0.628 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 31 December 2015 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amount actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Condensed Consolidated Statements Of Financial Position

	Unaudited	Audited	Unaudited	Audited
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	RMB'000	RMB'000	RM'000	RM'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	574,802	492,351	380,806	279,902
Land use rights	13,939	14,256	9,235	8,105
Investment property	145	145	96	82
Deferred tax asset	119,957	131,115	79,471	74,539
	708,843	637,867	469,608	362,628
Current assets				
Inventories	22,852	13,223	15,140	7,517
Trade and other receivables	297,006	314,412	196,766	178,743
Cash and bank balances	1,794,411	1,751,719	1,188,797	955,852
	2,114,269	2,079,354	1,400,703	1,142,112
Less:				
Current liabilities				
Trade and other payables	55,229	41,974	36,589	23,862
Amount due to a shareholder	8,433	1,575	5,587	895
Income tax payable	9,087	10,958	6,020	6,229
	72,749	54,507	48,196	30,986
Net current assets	2,041,520	2,024,847	1,352,507	1,111,126
Non-current liability				
Deferred income tax liabilities	40,604	38,623	26,900	21,957
	40,604	38,623	26,900	21,957
Net assets	2,709,759	2,624,091	1,795,215	1,451,797



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Condensed Consolidated Statements Of Financial Position (continue)

	Unaudited	Audited	Unaudited	Audited
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	RMB'000	RMB'000	RM'000	RM'000
EQUITY				
Share capital	6,226	6,226	2,856	2,856
Reserves	2,703,533	2,617,865	1,792,359	1,448,941
Total equity	2,709,759	2,624,091	1,795,215	1,451,797
Net asset per share attributable to equity holders of the Company (RMB/RM)	2.18	2.11	1.44	1.20

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanation notes attached to this financial report.

Notes:

- (1) The net assets per share attributable to equity holders of the Company is computed based on the net assets as at 31 December 2015 and 31 December 2014 divided by the number of ordinary shares of 1,242,760,588.
- (2) The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the exchange rate of RMB 1: RM 0.6625 (Source: <http://www.oanda.com/currency/historical-rates/>) at 31 December 2015 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Unaudited Condensed Consolidated Statement Of Changes in Equity

12 months ended 31 December 2015	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,074,073	2,624,092
Net profit for the period	-	-	-	-	-	-	-	85,667	85,667
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,159,740	2,709,759

12 months ended 31 December 2015	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2015	2,856	29	216,088	(2,133)	(1,875)	47,773	50,581	1,178,476	1,491,796
Currency Translation difference	-	-	-	-	-	-	249,620	-	249,620
Net profit for the period	-	-	-	-	-	-	-	53,799	53,799
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015	2,856	29	216,088	(2,133)	(1,875)	47,773	300,201	1,232,275	1,795,215

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanation notes attached to this financial report

Note:

- The financial statement are presented in Renminbi (“RMB”) and translated into Ringgit Malaysia (“RM”) for information purpose and reference at the exchange rate of RMB 1: RM 0.6625 (Source: <http://www.oanda.com/currency/historical-rates/>) as at 31 December 2015 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Unaudited Condensed Consolidated Statement Of Changes in Equity (Continue)

12 months ended 31 December 2014	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	6,226	64	449,936	(4,006)	(4,150)	101,949	-	2,376,467	2,926,486
Net profit for the period	-	-	-	-	-	-	-	(302,395)	(302,395)
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	<u>6,226</u>	<u>64</u>	<u>449,936</u>	<u>(4,006)</u>	<u>(4,150)</u>	<u>101,949</u>	<u>-</u>	<u>2,074,072</u>	<u>2,624,091</u>

12 months ended 31 December 2014	Share Capital	Capital Reserve	Share Premium	Treasury Shares	Merger Deficit	Statutory Reserves	Translation Reserves	Retained Earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January 2014	2,856	29	216,088	(2,133)	(1,875)	47,725	37,531	1,269,889	1,570,162
Currency Translation difference	-	-	-	-	-	48	13,050	81,133	94,178
Net profit for the period	-	-	-	-	-	-	-	(172,539)	(172,539)
Treasury share – share buy back	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	<u>2,856</u>	<u>29</u>	<u>216,088</u>	<u>(2,133)</u>	<u>(1,875)</u>	<u>47,773</u>	<u>50,581</u>	<u>1,178,483</u>	<u>1,491,801</u>

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanation notes attached to this financial report.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

Unaudited Condensed Consolidated Statement Of Cash Flow

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	RMB'000	RMB'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation	136,586	(379,364)	85,776	(216,465)
Adjustment for				
Interest income	(15,235)	(50,980)	(9,568)	(29,089)
Depreciation of property, plant and equipment	42,279	28,410	26,551	16,211
Amortisation of land use rights	317	317	199	181
Interest expenses	-	1,951	-	1,113
Impairment loss on trade receivable	-	60,152	-	34,323
Property, plant and equipment written off	-	256,023	-	146,087
Inventory written off	-	76,712	-	43,7742
Operating profit/(loss) before working capital changes	163,947	(6,779)	102,959	(3,868)
(Increase)/Decrease in inventories	(9,629)	(52,916)	(6,047)	(30,194)
Decrease/(Increase) in trade and other receivables	17,406	(173,351)	10,931	(98,914)
Increase/(Decrease) in trade payables and other payables	13,255	(24,072)	8,324	(13,735)
Cash generated/(used in) from operations	184,979	(257,118)	116,167	(146,711)
Interest received	15,235	50,980	9,568	29,089
Interest paid	-	(1,951)	-	(1,113)
Income tax paid	(39,650)	(66,210)	(24,900)	(37,779)
Compensation from insurance company - inventories	-	26,485	-	15,112
Net cash generated/(used in) from operating activities	160,564	(247,814)	100,834	(141,403)
Cash flows from investing activities				
Purchase of property, plant and equipment	(124,730)	(408,502)	(78,330)	(233,091)
Compensation from insurance company - PPE	-	98,610	-	56,267
Net cash used in investing activities	(124,730)	(309,892)	(78,330)	176,824
Cash flows from financing activities				
Repayment of bank loans	-	(54,400)	-	(31,041)
Shareholder's loan	6,858	(2,262)	4,307	(1,290)
Treasury share – Share buy back	*	*	*	*
Net cash used in financing activities	6,858	(56,662)	4,307	(32,331)
Net increase/(decrease) in cash and cash equivalents	42,692	(614,368)	26,811	(350,558)
Cash and cash equivalents at 1 January	1,751,719	2,366,087	995,852	1,273,665
Effect on exchange rate on cash and bank balances on opening	-	-	104,228	76,424
Effect on exchange rate changes and translation	-	-	61,907	(3,679)
Cash and cash equivalents at 31 December	1,794,411	1,751,719	1,188,797	995,852

* Amount less than RMB 1,000

The unaudited Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanation notes attached to this financial report.

Note:

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

A. EXPLANATORY NOTES TO THE UNAUDITED FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

1(a). Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) including related interpretations. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The Group’s principal operations are conducted in the PRC and thus the financial statements are presented in Renminbi (RMB), being the functional and presentation currency of the Group. All values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below:

Critical assumption used and accounting estimates in applying accounting policies

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment according to the common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Income tax

The Group has exposure to income taxes in the PRC. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventory obsolescence

The Group reviews the ageing analysis of inventories at each reporting date, and makes provision for obsolete and slow moving inventory items identified that are no longer suitable for sale. The net realizable value for such inventories are estimated based primarily on the latest invoice prices and current market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

1(b) Interpretations and amendments to published standards effective in 2014

The Group has adopted the following new and revised IFRSs, which are applicable to the Group, for the first time in current year's financial statements.

Reference	Description
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 3 IFRS 10, IFRS 12 and Amendments to IFRS 10 and IFRS 12
IAS 27 (2011) Amendments	IAS 27 (2011) – Investment Entities
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
IAS 36 Amendments	Amendments to Impairment of assets on recoverable amount disclosures
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IFRS(IFRIC) – Int 21	Levies

1(c) IFRS not yet effective

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 2	Share-based payment
IFRS 3	Business Combinations
IFRS 5	Non-current Assets Held for Sales and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 13	Fair Value Measurement
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue From Contracts With Customers
IAS 16	Property, Plant and Equipment
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions
IAS 24	Related Party Disclosures
IAS 27	Separate Financial Statements
IAS 28	Investment in Associates and Joint Ventures
IAS 41	Agricultural

The directors do not anticipate that the adoption of the above IFRS and IFRIC in future periods will have a material impact on the financial statements of the Group in the period of their initial adoption.



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

1(d) Summary of significant accounting policies

Consolidation

The Group was formed as a result of the Restructuring exercise for the purpose of the Company's listing on the main market of the Bursa Malaysia Securities Berhad. The acquisition pursuant to the Restructuring exercise under common control has been accounted for using the pooling-of-interests method of consolidation. Under the pooling-of-interest method, the consolidated financial statements of the Group have been presented as if the Group structure immediately after the restructuring has been in existence since the earliest financial year presented. The assets and liabilities were brought into the consolidated statement of financial position at their existing carrying amounts. The pooling-of-interest method was used for the entities in existence up to the Group's Restructuring exercise.

All inter-company balances and significant inter-company transactions and resulting unrealised profits or losses are eliminated on consolidation and the consolidated financial statements reflect external transactions and balances only. The results of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated statement of comprehensive income from the effective date in which control is transferred to the Group or when such control ceases, respectively.

Business combination is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the income statement.

Where accounting policies of a subsidiary do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged so as to write off the cost of land use rights, using the straight-line method, over its remaining useful life of 50 years. Land use rights represent up-front payment to acquire long-term interests in the usage of land.

Property, plant and equipment ("PPE") and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 to 10 years
Motor vehicles	5 years



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Property, plant and equipment and depreciation (Cont'd)

No depreciation is provided on properties under construction work-in-progress.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Construction work-in-progress is stated at cost and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at end of each reporting period as a change in estimates.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of 20 years and after taking into account their estimated residual values, using the straight-line method.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Research and development costs

Research costs are expensed as incurred, except for development costs which related to the design and testing of new or improved materials, products or processes which are recognised as an asset to the extent that it is expected that such assets will generate future economic benefits.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.



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Financial assets

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets, if any.

Loans and receivables include trade and other receivables. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or writeback is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of cash management and fixed deposit pledged to the bank for banking facilities.



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Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

Dividends

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Group grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include trade and other payables, accrued liabilities and bank borrowings.

Financial liabilities are recognised when the Group become a party to the contractual agreements of the instruments. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the statement of comprehensive income over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current borrowings in the statements of financial position.



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Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of the time is recognised as finance costs.

Operating leases

Where the Group is the lessee

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in profit or loss when incurred.

Where the Group is the lessor

Assets leased out under operating leases are included in investment property. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.



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Employee benefits

Pursuant to the relevant regulations of the PRC government, the Group participates in a local municipal government retirement benefits scheme (the “Scheme”), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities.

Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets subject to impairment are reviewed at end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to equity.



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Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Dividend income from investments is recognised gross when the right to receive the dividend has been established.

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Rental and related income from investment properties are recognised on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred. Contingent rents are mainly determined as a percentage of tenant's revenue during the month and/or based on the landlord's traffic movement during the month. These leases are for terms of two to three years with options to review at market rates thereafter.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group are presented in Renminbi, which is also the functional currency.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss. However in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognized in other comprehensive income and accumulated in the currency translation reserve.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in term of historical cost in a foreign currency are translated using the exchange rates at the date of the translation.

Operating segments

For management purposes, operating segments are organised based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers are directly accountable to the chief executive officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

Management is currently considering the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 31 December 2015.



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2. Audit report of the Group's preceding annual financial statements

The Group's audited consolidated financial statements for the financial year ended 31 December 2014 were not subject to any audit qualification.

3. Seasonality or cyclicity of operation

The business of the Group was not affected by any significant seasonal and cyclical factors for the current quarter and financial year-to-date.

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

5. Changes in estimates

Not applicable as there were no estimates being reported during the prior periods.

6. Changes in share capital and debts

There were no other issuance, cancellations, repurchase, resale and repayment of debt and equity securities, except the shares held as treasury shares as disclosed under item 15(c), share cancellation and resale of treasury shares for fourth quarter.



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7. Segment information

	<u>12 months ended 31 December 2015</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	110,856	270,428	381,283
Segment results	60,117	127,474	187,591
Other income			21,380
Selling and distribution expenses			(66,559)
Administrative expenses			(5,769)
Other operating expenses			(56)
Finance expenses			-
Profit before taxation			136,586
Income tax expense			(50,920)
Total Profit after tax			85,666
Other segment information:			
Capital expenditure	36,265	88,465	124,730
Depreciation of property, plant and equipment	12,292	29,987	42,279
Amortisation of intangible assets	92	225	317

	<u>12 months ended 31 December 2015</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	69,617	169,829	239,446
Segment results	37,753	80,054	117,807
Other income			13,427
Selling and distribution expenses			(41,799)
Administrative expenses			(3,623)
Other operating expenses			(35)
Finance expenses			-
Profit before taxation			85,776
Income tax expense			(31,978)
Total Profit after tax			53,798
Other segment information:			
Capital expenditure	22,774	55,556	78,330
Depreciation of property, plant and equipment	7,719	18,832	26,551
Amortisation of intangible assets	58	141	199

Note:

- The financial statements are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB 1: RM 0.628 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 31 December 2015 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented have been or could be converted in RM at this or any other rate.



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7. Segment information (Continue)

	<u>12 months ended 31 December 2014</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Revenue	116,208	486,540	602,748
Segment results	71,722	208,089	279,811
Other income			51,657
Selling and distribution expenses			(80,724)
Administrative expenses			(109,395)
Other operating expenses			(518,762)
Finance expenses			(1,951)
Profit before taxation			(379,364)
Income tax expense			76,969
Total Profit after tax			(302,395)
Other segment information:			
Capital expenditure	78,758	329,744	408,502
Depreciation of property, plant and equipment	5,477	22,933	28,410
Amortisation of intangible assets	61	256	317

	<u>12 months ended 31 September 2014</u>		
	<u>Patented</u>	<u>Non-Patented</u>	<u>Total</u>
	<u>Products</u>	<u>Products</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	66,308	277,620	343,928
Segment results	40,925	118,736	159,660
Other income			29,475
Selling and distribution expenses			(46,061)
Administrative expenses			(62,421)
Other operating expenses			(296,006)
Finance expenses			(1,113)
Profit before taxation			(216,465)
Income tax expense			43,919
Total Profit after tax			(172,547)
Other segment information:			
Capital expenditure	44,774	187,459	232,233
Depreciation of property, plant and equipment	3,114	13,037	16,151
Amortisation of intangible assets	35	145	180

Note:

- The financial statement are presented in Renminbi ("RMB") and translated into Ringgit Malaysia ("RM") for information purpose and reference at the average exchange rate of RMB 1: RM 0.5706 (Source: <http://www.oanda.com/currency/average>) for the financial period ended 31 December 2014 with comparatives are shown for illustration purpose. This translation should not be construed as a representation that RMB amounts actually represented been or could be converted in RM at this or any other rate.



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8. Subsequent events during the financial year.

On 15 January 2015, the Company had announced the deviation of 10% or more between the audited financial statements of the Group for the nine months financial period ended 30 September 2014 and unaudited third quarter report for the period ended 30 September 2014.

The Company is classified as an affected Listed Issuer pursuant to Practice Note 17 of the Main Market Listing Requirements as announced on 8 July 2014.

On 7 September 2015, an application has been submitted to Bursa Malaysia for the following:

- (i) Waiver for the requirements to submit and implement regularisation plan pursuant to Paragraph 8.04 and Practice Note 17 of the Main Marketing Listing Requirement of Bursa Securities (“PN17”) and
- (ii) to uplift the designation of the company as PN 17 issuer.

As a result, with the waiver being granted, the Company has been uplifted from being classified as PN 17 company effective 9.00 am on 27 November 2015.

Please refer to the related announcements made on 5 Jan 2015, 15 January 2015, 4 February 2015, 2 March 2015, 1 April 2015, 5 May 2015, 2 June 2015, 9 June 2015, 1 Jul 2015, 10 July 2015, 20 July 2015, 3 August 2015, 1 September 2015, 7 September 2015, 1 October 2015, 2 November 2015 and 26 November 2015 for full detail of the announcements.

9. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter.

10. Contingent liability or assets

There were no material contingent liabilities or assets which may have material effect on the financial position of the Group.

11. Property, plant and equipment

The Group acquired an additional equipment amounting to RMB 124.73 million (RM 78.33 million) during the 12 months period ended 31 December 2015.

12. Capital commitment

Save as disclosed below, the Group is not aware of any material commitments, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	As at	As at
	31 December 2015	31 December 2015
	RMB'000	RM'000
Unpaid capital contribution in Ruiyuan ⁽¹⁾	36,243	24,020
Unpaid capital contribution in Sakura Stationery ⁽¹⁾	38,314	25,393
Total	74,557	49,413

Notes:

- (1) The unpaid capital contribution in Ruiyuan and Sakura Stationery denominated in USD i.e. USD5.6 million and USD 5.92 million respectively and are translated to RMB and RM at the exchange rates as at 31 December 2015 of USD 1: RMB 6.472 and USD 1: RM 4.2893.



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13. Significant related party transactions

The Group has entered into a Lease Agreement with the spouse of key management which is analysed as follows:

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
Lease rental	30	19	120	75

14. Financial Instruments with off balance sheet risks

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. Management has in place processes and procedures to monitor the Group's risk exposures whilst balancing the costs associated with such monitoring and management against the costs of risk occurrence. The Group's risk management policies are reviewed periodically for changes in market conditions and the Group's operations.

The Company and the Group are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks included credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

As at 31 December 2015 and 31 December 2014, the Group's financial instruments mainly comprise cash and bank balances, trade and other receivables, trade payables, accrued liabilities and other payables, amount due to a shareholder and bank borrowings.

15. Reserves

	As at 31 December		As at 31 December	
	2015	2015	2014	2014
	RMB'000	RM'000	RMB'000	RM'000
Capital reserve	64	29	64	29
Share premium	449,936	216,088	449,936	216,088
Treasury shares	(4,006)	(2,133)	(4,006)	(2,133)
Merger deficit	(4,150)	(1,875)	(4,150)	(1,875)
Statutory reserve	101,949	47,773	101,949	47,773
Translation reserves	-	300,201	-	50,581
Retained earnings	2,159,740	1,232,275	2,074,073	1,178,476
Total	2,703,533	1,792,359	2,617,865	1,488,941

(a) Capital Reserve

The capital reserve represents the premium arising from the issue of shares prior to 1 January 2008.

(b) Share Premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses.



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15. Reserves (continue)

(c) Treasury shares

During the annual general meeting of the company held on 24 June 2015, shareholders of the Company have approved the Company to repurchase its own shares. The Company has repurchased 10,000,600 shares at the cost of RMB 3,992,486 / RM 2,073,726 which were held as treasury shares.

Movement in the treasury shares is as follow:

	Number of shares			Average cost per share
		RMB	RM	
As at 1 January 2015	10,000,300	3,992,233	2,073,568	0.2073
Repurchase share on 13 February 2015 and 25 June 2015 and 26 November 2015	300	253	158	0.53
As at 31 December 2015	10,000,600	3,992,486	2,073,726	0.20736

(d) Merger Deficit

The merger deficit arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

(e) Statutory Reserves

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profit after taxation prepared in accordance with the accounting regulation in the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

In addition, the Group is required to transfer 5% of its profit after taxation prepared in accordance with the accounting regulations in the PRC to statutory welfare reserve. The use of the statutory public welfare reserve is restricted to capital expenditure for employees' facilities. The statutory public welfare reserve is non-distributable except upon liquidation.



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B. INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD UNDER LISTING REQUIREMENTS

1. Review of the performance of the Group

Our revenue decreased by approximately RMB 221.47 million or approximately 36.74% from approximately RMB 602.75 million in preceding period ended 31 December 2014 (“4Q2014”) to approximately RMB 381.28 million in current period ended 31 December 2015 (“4Q2015”) mainly due to decrease in sales of our Patented products and non-patented products.

Sales of Patented Products decreased by approximately RMB 5.35 million or approximately 4.6% from approximately RMB 116.21 million in 4Q 2014 to approximately RMB 110.86 million in 4Q 2015. The decrease was mainly due to economic slowdown in global market.

Sales of Non-Patented Products decreased by approximately RMB 216.11 million or approximately 44.42% from approximately RMB 486.54 million in 4Q 2014 to approximately RMB 270.43 million in 4Q 2015 was mainly due to suspended production in Sakura Plastic and Sakura Stationery from 4 April 2014 to 30 April 2015 after a fire had occurred at China Stationery’s production plant located at No. 2899, Jin Jiang West Road, Hanjing District, Putian, Fujian Province, The People’s Republic of China (“PRC”) on 4 April 2014.

The production had started in beginning of May 2015.

Overall, our gross profit (“GP”) decrease by approximately RMB 30.6 million or approximately 20.62% from approximately RMB 148.41 million in 4Q 2014 to approximately RMB 117.81 million in 4Q 2015 with an average GP margin of 46.42% and 49.2% for 4Q 2014 and 4Q 2015 respectively. The higher GP margin in 4Q 2015 was mainly due to higher sale contribution of patented product as compared with 4Q 2014.

Our profit after tax (“PAT”) increase by approximately RMB 388.12 million or approximately 117.4% from approximately loss of RMB 302.40 million in 4Q 2014 to approximately RMB 85.67 million in 4Q 2015 with an average PAT margin of -50% and 22% respectively for 4Q 2014 and 4Q 2015. The huge loss in 4Q2014 was due to impairment loss on fire on 4 April 2014.



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2. Variation of results against immediate preceding quarter

	Current Quarter 31 December 2015		Preceding Quarter 30 September 2015	
	RMB'000	RM'000	RMB'000	RM'000
Revenue	165,356	63,632	84,669	58,608
Profit Before Taxation ("PBT")	46,563	38,532	41,295	28,584
Profit After Taxation ("PAT")	28,133	28,197	31,613	21,883

The Group recorded revenue of approximately RMB 165.36 million in the current quarter, which was higher than last quarter by 95.3%.

The PBT margin for current quarter is 28.16% as compare to 48.77% in preceding quarter. The decrease in PBT margin for current quarter was mainly due to advertisement cost incurred of RMB 57.36 million.

3. Prospects

In FYE2016, we foresee a challenging year under the current economic environment.

Nevertheless, we forecast the Group continuing to grow underpinned by our innovative products. At China Stationery we pride ourselves in our research and development, our market analysis and our ability to produce items that the market requires. This comes from having years of experience in the sector we are involved in.

Our award-winning brands such as "Sakura", "Nachi" and "Foldersys" are already recognised in this part of the world, and efforts are being made to penetrate new markets. Considering these products are wholly recyclable, we expect the response to pick up in line with the global population being more conscious of the environment.

Considering our competitive edges, such as lower production costs and high quality, there is no real ceiling to what we can achieve. While we seek to break into new exciting markets, we will maintain our bread and butter business, participating in trade shows, sales fairs and advertising on billboards and other media in China.



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3. Prospects (continue)

The factors that are likely to influence the Group performance for FY2016 are as follows:-

(a) Currency Exchange Risk

The value of the RMB against foreign currencies is subject to changes in the PRC Government's policies and international economic and political developments.

An appreciation of the RMB may adversely affect our revenue as most of our revenue is derived from export to overseas markets and most of our overseas customers make payment in USD. However, our Executive Directors are of the opinion that a gradual appreciation of the RMB will have minimal impact on our Group's export revenue and profit margins as our Group is not operating on a price war strategy but differentiate our products by quality and innovativeness. Our Executive Directors are of the view that our Group will be able to increase our product prices should the RMB appreciate in value as we are constantly developing new products to address our customers' requirements.

Devaluation or depreciation of the RMB may affect our costs of sale as we make payment to our suppliers of PP materials in USD. Devaluation or depreciation of the RMB will also affect the amount of dividends or other distributions received by our Shareholders as well as any foreign currency obligations we may have. A revaluation or an appreciation of the RMB on the other hand may affect the amount of funds that we receive in RMB from fund raising activities outside the PRC as well as increased competition from imported/international stationery producers.

(b) Slow down of Europe Country Economy

Currently Europe market contributed approximately 15% of our total revenue. But due to the unforeseen Europe country economic crisis, to the certain extent it will also affect our group revenue.

(c) Supply and Price of PP Materials

PP materials are major components of our cost of sales. As PP materials are by-products of crude oil, the prices of PP materials are also affected to a certain extent by the movement of crude oil prices.

As a result, should there be any significant increase in the price of PP materials due to demand and supply conditions or increases in crude oil prices, and if we are unable to pass on such increase in costs to our customers, our profitability and thus our financial performance would be adversely affected.

Should there be a shortage of PP materials and our suppliers are unable to fulfil our requirements as contracted, our production, sales and financial performance would be adversely affected.

(d) Supply of production equipments from our supplier

Supplier unable to supply the equipment on time due to technical issue so affect our production schedule and launching time.

Barring unforeseen circumstances, the Group is optimistic about its performance in FY2016.



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4. Profit forecast

Our Group does not have any profit forecast or guarantee in the public documents.

5. Income tax expenses

	Individual Quarter		Cumulative Quarter	
	RMB'000	RM'000	RMB'000	RM'000
PRC Income tax expenses	8,981	5,950	39,650	24,900
Deferred income tax assets	9,449	5,624	11,270	7,078
	18,430	11,574	50,920	31,978

PRC Tax

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for current quarter and financial year-to-date. The actual income tax provision is higher than 25% mainly due to provision of deferred tax on the 10% statutory reserve.

6. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this Interim Financial Report.

7. Changes in material litigation

As at the date of this report, there is no litigation or arbitration, which has a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

8. Dividends

No dividends were declared on or paid by the Group in the current quarter under review.

9. Disclosure item of Profit & Loss:-

		Quarter Ended 31 December 2015		Year to Date Ended 31 December 2015	
		RMB'000	RM'000	RMB'000	RM'000
1)	Interest income;	(2,271)	(1,426)	(15,235)	(9,568)
2)	Interest expense;	-	-	-	-
3)	Depreciation and amortization;	11,719	5,561	42,279	26,551
4)	Foreign exchange (gain) or loss;	(3,465)	(1,940)	(7,129)	(4,477)



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10. Realised and Unrealised Profit/Losses Disclosure

The retained earnings as at 31 December 2015 and 31 December 2014 are analysed as below:

	As at 31 December 2015		As at 31 December 2014	
	RMB'000	RM'000	RMB'000	RM'000
Total Retained Earnings of the Company and its subsidiaries:				
- Realised	2,119,136	1,205,375	2,035,449	1,157,753
- Unrealised	40,604	26,900	38,623	20,723
Total Group Retained Earnings	2,159,740	1,232,275	2,074,072	1,178,476



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11. Earning per share

		Quarter Ended	Preceding Year Corresponding Quarter	Quarter Ended	Preceding Year Corresponding Quarter	Year to Date Ended	Year to Date Ended	Year to Date Ended	Year to Date Ended
		31 DEC 2015	31 DEC 2014	31 DEC 2015	31 DEC 2014	31 DEC 2015	31 DEC 2014	31 DEC 2015	31 DEC 2014
	Notes	RMB'000	RMB'000	RM'000	RM'000	RMB'000	RMB'000	RM'000	RM'000
Profit/(Loss) attributable to equity holders of the company		28,133	28,197	17,668	16,089	85,666	(302,395)	53,798	(172,547)
Weighted average number of ordinary share in issue ('000)		1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761	1,242,761
Earnings per share									
- Basic (cents/sen)	B12	2.26	2.27	1.42	1.29	6.89	(24.33)	4.33	(13.88)

Notes:

(1) Basic earning per share

Basic earning per share of the Group are calculated by dividing the profit for the quarter ended/year to date ended by the weighted average number of ordinary shares in issue during the financial year.

(2) Diluted earning per shares

There is no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at end of the current and preceding quarter under review.